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Elliott, Howard

Oral statements before the Joint Committee...

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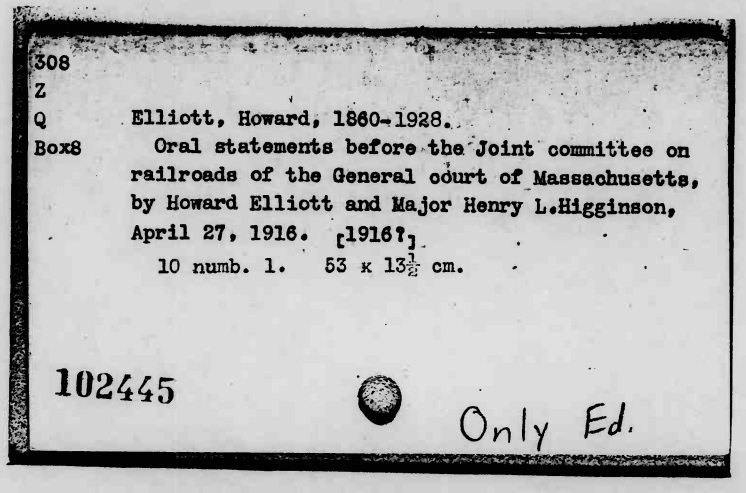
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Oral statements before the Joint committee on railroads of the General court of Massachusetts, by Howard Elliott and Major Henry L.Higginson, April 27, 1916. [1916?]
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Oral Statements

before the

Joint Committee on Railroads

of the

General Court

of

Massachusetts

by

Howard Elliott

On Thursday, April 27, Howard Elliott, President and Chairman of the New York, New Haven and Hartford Railroad Company, appeared before the Joint Committee on Railways of the Legislature of the Commonwealth of Massachusetts, Senator Clarence W. Hobbs presiding, to present his testimony upon the recommendations of the Massachusetts Public Service Commission concerning the finances and the general condition of the New Haven.

The report and recommendations of the Public Service Commission were made in accordance with an Act of the General Court providing for an investigation of the capital expenditures and investments of the New Haven. The Commission made eight general recommendations, and also submitted the draft of proposed acts relative to the New Haven. The Commission's recommendations were:

1. Require the New Haven Company to dispose of certain property, chiefly securities of other companies, which has no substantial relation to its railroad system.

2. Require the dissolution of certain subsidiary companies and provide for closer public control and a restricted exercise of corporate powers in the case of others.

3. Require a reduction in the book value of certain securities.

4. Limit dividends upon common stock until the amount of these reductions in book value, together with all losses from the sale of securities, shall have been offset by appropriations from earnings or by direct contributions of the stockholders.

5. Subject to the foregoing conditions, authorize all holdings of securities, not affected by the decree of the federal court, which have not previously been authorized by Massachusetts.

6. Provide that the statute shall not go into effect until it has been accepted by formal vote of the directors of the company.

7. Provide that, if any of the stipulated conditions are not performed, the charter of the company shall be subject to forfeiture.

8. Amend the general law so that better safeguards against action contrary to the laws and public policy of the Commonwealth will be provided in the future.

These recommendations were incorporated into the draft of the proposed acts, and a public hearing ordered before the Joint Committee on Railways of the General Court.

Mr. Elliott's testimony, given below, reviewed the acts of the Company since he had been chief executive officer, and also gave a detailed account of the policy of the Company in matters relating to the public interest. He pointed out that many of the specific recommendations of the Commission had already been carried out, others were contemplated, while as to others the directors were not in accord with the findings of the Commission. His testimony follows:

"Mr. Chairman and Gentlemen of the Committee:

"I am glad to have an opportunity to contribute anything I can to a solution of this difficult question which is presented to all New England and to your Committee, representing the General Court of the Commonwealth of Massachusetts.

"Mr. Macleod, Chairman of the Public Service Commission, spoke the other day, of the New Haven situation, and among other things, said:

"'The New Haven Railroad Company, of course, is with us to stay. It is an important and an essential part of the commercial life of the State, and every possible effort should be made by all those in positions of public responsibility to see that that company is made the most effective instrument of commerce that it is possible for it to become by wise management and under wise regulations. In our judgment the time has now

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"Mr. Macleod and Mr. Eastman, both speaking for the Commission, expressed the helpful, hopeful spirit of the situation, and speaking for the Directors of the Company, I want to express to the Commission our thanks for the very thorough work they did in making their report, and for some of the data they prepared and put into the report, which has become and always will be a useful book of reference. And the Company is on exactly the same platform that Mr. Macleod speaks of, for the Commission. We want to clear up this situation and get it better. Doubt should be dissolved and dissipated. The delay in settling the New Haven corporate status has been most unfortunate; and it has already done a great deal of harm, and further delay may be still more unfortunate. I wish to say that the present Board of Directors, and the management of the New Haven Company, want to go just as far as they reasonably can in being, as the Chairman of the Commission expresses it, at 'peace with the Commonwealth.' But I want to also point out that the Directors, who are charged with the duty of representing all of the security holders, must, in expressing their opinion about this situation, be true to their trusts to those security holders, and to the interests of states other than Massachusetts, because they are the real trustees for this property and must act for the benefit of all New England.

"The management also agrees with what Mr. Macleod, or Mr. Eastman said, that, 'Forgetting the past does not annul its results; and we agree that the past must be considered and we have taken it into account in our efforts to shape our course, during the past three years, and in our plans for the future.

"In saying this, however, it is not unfair to point out that continuous punishment of this property for past sins may result in hurting this Commonwealth as much, if not more, than the Company itself and its owners, and may be instrumental in hurting all New England.

"If the various things which the Commission recommends after a year's investigation should be done to clarify the situation—if the Commission is right in their recommendations, some of those things should be done because they are right, and the Commission should not ask the Company, the management, and its trustees to pay a price for doing those things, which price may be unnecessary, and may defeat the very ends to which the Commissioners of Massachusetts and the officers are jointly striving, namely, the effort to clear up the situation.

"Mr. Macleod and others have said a great deal about the policy of the New Haven Company, and I want to refresh your minds by reading the statement issued, after very careful consideration, by the Directors of the Company, February 9, 1915. I repeat, a good deal of consideration was given to that statement before it was adopted by the Directors. It was not lightly made. It was made with the intention, so far as the Directors had the power, of carrying out, carefully and thoroughly, every statement. The statement is as follows:

> "'The policy of the Company is to conserve its present properties so far as it can and not to acquire new properties. To simplify its corporate organization as rapidly as it can and to reduce the number of cor-

porations holding its various assets, so that the public and public authorities can understand clearly the assets and liabilities of the New Haven Company considered as a whole. It will be necessary, however, from time to time, for the New Haven Company to protect its investment in some of the subordinate companies by making advances for payment of interest and for additions, improvements and betterments pending the sale of the properties.

"'In a road as large as the New Haven, and occupying so populous a territory, the demand for new capital for additions and improvements on the existing property is very great, and in the next ten years a great many millions of dollars should be spent in putting the property in a position to do its work with the greatest safety, efficiency and economy. Should the States of Massachusetts, Rhode Island and Connecticut grant the request now made for laws that will permit some better plan for obtaining new capital from the investing public, the requirements of the laws of those States will be complied with strictly in the issue of any securities so that there may be no doubt about the legality and validity of such new issues. All new securities will be issued in accordance with the laws now in existence as amended by those now proposed, and the policy of the Company will be to use the money so obtained by the sale of such securities:

"'1. To satisfy its floating debt;

"'2. To make needed physical improvements on the New Haven Road;

"'3. To advance the minimum amount necessary to companies in which it now has an interest, but which it hopes to sell at some future time.

"'And it will be the policy of the Company to:

"'4. Sell its so-called outside properties, securities and real estate not essential to the property, and to use the proceeds in reducing the liabilities of the Company or in making needed improvements to its physical property, thus reducing the necessity for new capital.

"'5. Not to acquire any interest in properties and business other than those which are directly and clearly necessary to the transportation companies, which under the laws of the United States, Massachusetts, Connecticut and Rhode Island, it is allowed to hold and operate.

"'6. To attend closely to the business of transportation and to conduct it so as to keep capital requirements to a minimum, and to promote in every reasonable way safety, efficiency and economy, and to furnish good service to the public.'

"Now, as evidence of what the Directors of the Company endeavored to do to carry out that declaration, and what it has done in the last two years or so, let me call to your attention one or two things.

"The Public Service Commission, in Document 1765, said a year ago in one of their reports:

"'If the Company asks the Legislature of Connecticut to make these changes, we can conceive of no sound reason why that State should insist upon continuing in force powers and privileges which the Company admittedly does not want and does not need. If Massachusetts goes so far as to validate stock heretofore issued in violation of our laws and to authorize the funding of floating debt heretofore incurred for purposes which may have been unlawful under our statutes, it is not unreasonable for Connecticut to meet us part way by depriving the Company of entirely superfluous, but dangerous, powers and privileges. We are confident that the legislators of that State would take this reasonable view, and we believe that the Massachusetts General Court, in dealing with the question of special legislation in this State, may properly be guided, to an extent, by the willingness of the Directors of the Company to seek these changes in the law of Connecticut.'

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"The Company voluntarily went to Connecticut, laid the matter before the Legislature, and the following bill at our request was passed: The first section is as follows:

"'The New York, New Haven & Hartford Railroad Company shall not hereafter exercise or possess any of the rights, privileges, powers or franchises possessed by the Consolidated Railway Company prior to the merger of the New York, New Haven & Hartford Railroad Company with the Consolidated Railway Company, May 31, 1907, except such as are possessed at the time of the passage of this act and are reasonably required (a) for the operation, maintenance, or improvement of any property which it then owns or operates, (b) for the sale, transfer, or other disposition of any property which at such time it owns, operates or controls, including privileges, powers, and franchises incident to the operation of such property, or (c) in connection with the generation, transmission and application of electricity for use in the operation of its railroad, and except as herein otherwise provided.'

"In other words, the Connecticut Legislature met the request of Massachusetts as voiced by the Company, and we may now very properly ask you to adopt the platform laid down by your Commission a year ago, that the:

"'Massachusetts General Court, in dealing with the question of special legislation in this State, may properly be guided, to an extent, by the willingness of the Directors of the Company to seek these changes in the law of Connecticut.'

"The policy of the State cannot be determined by a Railroad Commission. The Commission may suggest, but the policy of the State must be determined by the Legislature, and by the Executive, and it must reflect the situation from time to time as it appears to the Legislature and the Governor.

"Now, some of these things the Commission recommend in their report cannot be accomplished without the voluntary consent of the Company, and the Directors must consider their business relations to other States, and the Federal Government; and also they must consider their duties as trustees to the people they are trying to serve in all the territory occupied by the road.

"I believe I am perfectly safe in saying, and the Commission will agree with me, that we of the Company have shown by our acts a high respect for the Public Service Commission of Massachusetts, and we have tried to have, and I believe we have had, the frankest relations, and furthermore, we have tried to furnish to the Commission every scrap of information that would enable them in any way to throw every particle of light on the situation, in the effort to bring it to a conclusion.

"The management, therefore, cannot be charged with any animus against Massachusetts or the Commission if, in its efforts to bring about a proper solution of the problems, it presents to this Committee, and through you to the General Court, certain facts and certain opinions as to why, in the judgment of the Company, some of the suggestions of the Commission should not be given the force of law. There is great responsibility resting upon this Legislative Committee, because, as I have said, the policy of a great State cannot be framed by any one Commission, no matter how able. That policy, I repeat, must be framed by the Legislature and by the Executive, and

there is a heavy responsibility resting upon this Committee as to what is the sound policy for the future, in order to aid New England transportation agencies.

"I am willing to admit, and many others are willing to admit, that Massachusetts has had in the past some reasons for feeling that the management was not to be trusted, and that it was unwise in the past not to consider certain things, but as we consider the present and the future, I believe this legislative committee should weigh the present management of the Company to see whether, based upon the present policy I have just read, it is worthy of the confidence of Massachusetts and of New England.

"If the General Court of the Commonwealth believes the present Board of Directors and managers are sincerely trying:

> "First, to serve the public in transporting passengers and freight;
>
> "Second, to increase the facilities for performing such transportation, and to extend their ability therefor;
>
> "Third, to rehabilitate the property and re-establish its credit;
>
> "Fourth, to earn at some future time for its stockholders—46 per cent. of which stock is held here in Massachusetts by Massachusetts citizens—a fair return upon their investment, there will be less difficulty in dealing with this report and this situation, and in getting appropriate legislation to settle the matter, than if we, on either side, approach it with minds filled with suspicion.

"A statement of what the Company has done will, we believe, entitle it fairly to the confidence of the General Court. If that confidence is given, and the management is trusted, we believe the Company will the more quickly and efficiently rehabilitate itself than if the management is hampered and hindered by inflexible legislation, calculated to restrain the Directors and officers in the exercise of a wise discretion. Whatever is done, the Company will be subject to the jurisdiction of the Massachusetts General Court, and if it should in any way fail to carry out the policy as adopted by the Directors, the Courts and the General Court have full power to act.

"The Commission, in their report, on page 82, say:

> "'Summing it up, the Commission is of the opinion that the Commonwealth has not lost by delay or neglect any of the sovereign powers which it ever possessed with respect to the New Haven Company and its unauthorized acts. Nor have these acts in any way been sanctioned or ratified by action of the General Court or of any other public authority of the Commonwealth.'

"If the Commonwealth has not lost those powers, it can exercise them whenever there is evidence that the New Haven is slipping back and doing things that are not wise. So, I repeat, that if the recommendations of things to be done are sound, they should be given effect without exacting a penalty that is of doubtful value. Without attempting in any way, by my recital of what has happened in the last two or three years, in carrying out the Company's policy, to ask any credit for the Board or for myself, for we have only been doing our duty as we see it, I do desire to call your attention to what has been done.

"The present Board, as you probably know, is made up of men who are unselfishly trying to cure a very difficult and an almost dreadful situation. They have been at work at considerable self-sacrifice and personal discomfort for something over two years, and I have been an executive officer about two and a half years. Within that period, and facing very complicated conditions, first, a very poor business condition throughout the country, and then the unusual conditions produced by the foreign complications, the Directors, and the management have successfully carried out the very unusual dissolution, the unscrambling process, which at the time seemed likely to wreck the entire transportation machinery of New England. It was a very difficult task, yet it was carried through.

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"It took a great deal of time to perform that task. It will take a great deal of time to recover from such a staggering blow, thus to change the entire corporate structure of so large a piece of machinery. I may add that the trustees of the Connecticut Company, the trolleys, took the management over bodily and have made practically no change in it. The trustees took it over as the New Haven organized it, and they have let that management stay on its own feet. The same thing is true of the Rhode Island organization. We were doing our best to give the Boston & Maine an independent management and a workable organization. You know how long it takes to bring those things to a satisfactory conclusion. The Boston & Maine trustees have been working as hard as possible for a year past, and they have not yet reached a solution of the problem. Undoubtedly it will take another year.

"The Directors of the New Haven have tried to do all they could to avoid a crash in their affairs. The Directors in the period from June 30, 1914, to and including May 1, 1916, will have reduced the floating debt of the New Haven Road $10,528,000. That will be accomplished by Saturday next, when we pay $2,000,000 of the present notes of $27,000,000.

"The Directors have preserved the corporate status of the Company, as I pointed out, and we have already taken quite a number of steps to clear up some of the difficulties, by simplifying our accounts, and by getting rid of some of the corporations.

"We have sold real estate and put the cash into the treasury, amounting to $838,000.

"We have sold treasury securities, and got the cash, amounting to $2,456,499.

"We have sold unusable material, second-hand material, etc., to the amount of $1,489,546, and that money has been put into the Company.

"The Directors have tried to be prudent and careful in the management. In the twenty months, from July 1, 1914, to February 29, 1916, there was an increase in earnings of $5,147,000. Without skimping on maintenance at all, there was a decrease in expenses in those twenty months of $1,675,000, resulting in an increase of $6,822,000 in net earnings, all of which has gone into the property, either to reduce debts or to make improvements.

"The Company, in its efforts to give better service to the public, and in the interest of greater safety, has within the last twenty months bought or contracted for, partly by the sale of equipment notes, 1,236 new, modern pieces of equipment, at a cost of $10,500,000.

"The signal work of the Company, one of the most important things, was not in the condition some of us thought it should be. We have been diligent in our efforts to improve it, and in the last two and a half years we have spent or authorized the expenditure of $2,668,000, for the most modern signals which the human mind has yet devised, and some have been already installed. That recites some of the important work done.

"Among other things this management has undertaken is that of putting heavy stone ballast on its main line, increasing the weight of its rail, and rehabilitating its structures, some of which, I am informed, had not been painted in twenty years. A year ago we had 5,000 freight cars not fit to run; today we have but 1,500.

"Another very important work we have undertaken is the building of a modern bridge across the Thames River, at an expense of $2,500,000. And, by the way, that work went to a Boston firm, Holbrook, Cabot & Rollins.

"We have authorized for freight yards, side tracks, and ballast, over $1,300,000, and over $800,000 for miscellaneous minor improvements. The amounts involved total $3,685,000, in addition to what I have already told you about equipment.

"Now, these are large sums of money ,and yet they are absolutely essential to the welfare of the New Haven transportation system if it is to serve the public as it should be served. The Directors have certain duties and powers and responsibilities. So have the Railroad Commissioners, but the Directors and not the Commissioners are held legally responsible for the results. These Directors are selected by the stockholders, and they, and not the Commissioners, are the managers of the property, and they should be left to use a wise discretion as to some of the matters suggested in this report. There are also at the present time great difficulties of operation to which these Directors and managers are addressing themselves.

"Then, we have this great congestion of freight confronting us. We have had great delay in getting deliveries of the new equipment ordered; of the thirty-three large locomotives contracted for delivery in January we have received about half.

"Five hundred new coal cars were promised in April. We do not know when we will get them; the contractors told us yesterday they could not give us a definite time.

"We have had to meet the increased price of labor and materials and all the other complicated questions of management. How difficult that is is shown by this fact: the gross earnings of the Company for December, January, February and March increased nearly $4,300,000. Those were the largest earnings for those particular months, in the history of the Company. Those earnings measured the service rendered by the Company to the public, and, as I say, they were the largest in the history of the Company, despite the conditions of unfavorable weather and storms.

"What was the result? The management in an earnest effort to serve the people of New England and to give the manufacturers the wherewithal to bring in their raw material and to take out the finished product, spent that $4,300,000, and nearly $1,000,000 more; so, we would have been better off, if you look at it in a material way, if we had had no increase in our business. We had a balance on the 1st of December, 1915, over our fixed charges of $3,332,000, and on the 1st of April we had $2,414,000, so that we had sustained a loss of $918,000. Now, the Directors have to take up these new problems and use a wise discretion in dealing with them, and at the same time give attention to the need of putting by a little to pay their debts.

"We had thirty-five strikes, nearly forty, including those of the last few days, in that period. These things indicate the great difficulties surrounding the transportation business in the United States, particularly in New England, and show that the railroad must, as fast as it can get the money, add to its facilities. On the other hand, the people who receive the freight must do their share to aid the Company, by expediting deliveries as they are tendered.

"In twenty days in April the Railroad Company had set on side-tracks and in other places for unloading an average of 13,000 loaded freight cars a day; and the highest number unloaded and taken away on one day was 4,911 cars, while the daily average was less than 4,500. You can thus see that the facilities to handle freight received must be developed, if New England is to grow, just as the facilities to transport the freight over the New Haven Railroad must be developed.

"I have said that some damage has happened by the year's delay in the matter of remedial legislation, and I will tell you why I think so. If Massachusetts had acted, we believe we could have produced within the last twelve months a permanent financial plan that would have been satisfactory to the stockholders and would have been accepted by the public. This plan would have funded part of the burdensome debt hanging over the Company, and would have left it free to use all

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"There is a responsibility resting on you gentlemen, to consider the stockholders of Massachusetts. There were on January 1st, 553,000 shares of the New Haven stock held in Massachusetts, which is about 35 per cent. of all the stock. There were 12,250 individuals holding that stock, residents of Massachusetts, or 46 per cent. of all the stockholders of the Company. They are your citizens, your supporters, and they are entitled to your consideration, and you represent them as well as the Commission, in determining what is a sound policy with which to go on, and build up the New Haven Road.

"We need the cash. We need to establish the Company's credit, and this plan submitted by the Commission must be viewed from the standpoint of whether it meets the needs of the Company. You cannot make the investor invest, because he is the final person to decide whether he will or not. There is a great national question involved here, and a great responsibility is upon you.

"Now, I have discussed this report of the Commission with the idea of trying to show to this Committee that these Directors and this management are entitled to a fair consideration. You should exercise the greatest care lest you embarrass them in the free exercise of their wise, business judgment. We have the highest regard for the opinions expressed by the Public Service Commission in this and other States, but we ask that the same regard be given to the opinions expressed by these Directors who are unselfishly acting for the good of all New England. And it might be said, discussing the past, that the stockholders of this Company have had a pretty severe lesson. They are going to be more careful as to what they do in future. The Directors have had a pretty severe lesson, and I believe there is a higher sense of business ethics in corporate management now than there was a few years ago, and in private business the standards are also higher.

"After my general statement I wish now to take up somewhat in detail some of the bills proposed, section by section.

"The Directors of the Company naturally agree that the properties and the securities named in Section 1 should be retained as a part of the New Haven system, but we believe if it is right to hold those securities, and we assume that the Commission thinks it is, that that right should not be made dependent on certain things mentioned later in the Act, some of which, as I will point out later, we think unwise, and will not produce the effect which perhaps the Commission thinks they will, in increasing the stability of the Company, and improving its credit.

"The Commission recommends that the Company retain the following properties, but gives the Attorney-General of the Commonwealth of Massachusetts unusual powers over the directors in the matter of their management:

Boston and Providence Railroad Corporation,
Central New England Railway Company,
Hartford and Connecticut Western Railroad Company,
The Harlem River and Port Chester Railroad Company,
Holyoke and Westfield Railroad Company,
New York Connecting Railroad Company,
New York, Ontario & Western Railway Company,
New York, Westchester and Boston Railway Company,
Norwich and Worcester Railroad Company,
Old Colony Railroad Company,

Providence and Worcester Railroad Company,
Providence, Warren and Bristol Railroad Company,
Wood River Branch Railroad Company.

"The Attorney-General, it is pointed out, would have to act. The Commissioner's report recommends this duty to be put upon him:

"'If it appears to the Attorney-General at any time that there has been any such failure to perform said duties, he shall institute proceedings for such dissolution and for the proper disposition of the assets of said company.'

"That is giving a very great power to someone in the future to do something that may result in irreparable damage to the Company, and gives him no discretion in the exercise of that power.

"It is further recommended by the Commission that within three years from the 1st of next July, the Company shall dispose absolutely of certain specific items of property as follows:

"'The Chicago & Eastern Illinois Railroad Company, $22,000 of bonds of that Company which were bought a few years ago, when the New Haven had more surplus cash apparently than it has now, and which were bought with a view to creating a reserve for fire insurance. The same is true of the Chicago, Rock Island & Pacific Railway Company, $38,000 of bonds. Those two companies are now in the hands of receivers, and what should be the wise thing to do with these securities no one at the present time knows.

"'The City Lumber & Coal Company is a note of $15,000, taken a few years ago, and it has now been reduced to $5,000, and that, we believe, will be paid in a few months.

"'Conway Electric Street Railway Company is a small item of $875, which we would be glad to sell if there was a purchaser. It would seem unfortunate to make our right to hold the securities and properties mentioned in Section 1 contingent upon our failure to sell within three years $875 worth of property in the Conway Electric Street Railway Company.

"'C. W. Kelsey Manufacturing Company, a note of $179.18, taken for a bad debt. We hope to collect that in a reasonable time.

"'The Housatonic Power Company is a large and powerful company, and Mr. Buckland, President of that company and a Vice-President of the New Haven, will tell you about that later.

"'The Iron Works Aqueduct and Water Company is $100 for a bad bill which we hope to collect in due time.

"'La Spina-Morris Cut Stone Company is $2,450, which we hope to get in at some time.

"'The Massachusetts Automobile Club Trust debt is for $90,000, and represents a mortgage on the Park Square Realty Company. Part of the property was sold and we took that cash and, as was natural in a real estate transaction, we took a promise to pay for the balance. We have been trying to sell that for some time, believing it better for someone else to hold the mortgage than ourselves, but we have not succeeded in finding a buyer. The same may be said of the Park Square Theatre Company.

"'The Shearer Realty Trust has been paid up in full and is off the list.

"'The Narragansett Pier Company is a very complicated situation, in Rhode Island, which I will ask Mr. Buckland to mention when he speaks.

"'The New Haven & Derby Railroad and the Naugatuck Railroad Company bonds have already been sold and the cash put into the treasury.

"'The Pawtuxet Valley Electric Street Railway Company represents $38,000 of 4 per cent. bonds, and

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" 'The Pawtuxet Valley Electric Street Railway Company represents $38,000 of 4 per cent. bonds, and we have been trying to sell them, but we cannot find a buyer.

" 'The Pennsylvania Railroad Company, 1,158 shares —those were bought for the same reason as the Chicago & Eastern Illinois, and the Chicago, Rock Island & Pacific bonds and put into a fire insurance fund, in the hope that the New Haven would build up a large fund to protect it against loss. The Directors have not thought it advisable to sell these securities, believing that later they will sell better in the market.

" 'The Pittsfield & North Adams Railroad Corporation, of which we have 50 shares of stock at 5 per cent. It might be sold, if a buyer could be found.

" 'The Queensbury Mills Company is a note of $266, which I collected this morning, about fifteen minutes before I came to this hearing.

" 'The Quincy Quarries Company, $2,110, taken for debt. We hope in time to get that paid.

" 'The Rutland Railroad Company is a large item, $2,364,000, on the books of the Company. We shall be glad to sell that property, but the Directors, I think, should be allowed to use reasonable discretion and not be ordered to sell it within a limited period. No one can tell what the future of the Rutland Railroad will be. A year ago everybody said we must take an enormous loss. But today the gross earnings of the Rutland Railroad have increased $203,000, or 22 per cent., from January 1, 1916, to April 21, 1916. The financial returns of the property for the first two months of this year, January and February, show a balance over and above fixed charges of $44,000, which is $46,000 better than the same two months last year. I merely instance those figures to show that conditions change, and while it may seem easy and right to order a property sold that is not worth much today, it may in time turn out to be worth more than now, and a forced sale is a bad thing.

" 'The securities of the Waterbury Gas & Light Company, have all been sold within the last few months. The very fact that the Company was a free agent and able to bargain on that sale brought to the New Haven treasury $300,000 more than we could have secured if it had been known to the prospective buyers that we were under bonds to sell. These properties we sold for all that the New Haven Company put into them, and about $80,000 to boot.

" 'The Waterbury Hotel Corporation is $1,500 invested in a hotel in that city, which came to the New Haven through its acquisition of the Waterbury Gas Light Company. We would be glad to convert that into cash, but everyone knows that hotel securities are not very valuable, and they are generally taken in a spirit of loyalty to the town where your business is.

" 'The Westinghouse Air Brake Company was sold a long time ago.

" 'The Westminster Chambers Trust is similar to the Park Square Theatre Company, and we would like to get rid of that.

" 'The Westport Water Company has been sold.

"'The Worcester & Connecticut Eastern Railway Company is $32,000 of bonds belonging to the New England Navigation Company. That is a security which we hope to sell in due time as conditions improve and investors are willing to seek such securities.

"'Section 3 refers to four little stub ends of trolley properties that stand on the Company's books at $487,-397. We believe that they are worth on any fair basis at least $100,000 more than they stand at on the Company's books, and we are now in negotiation with various people about some of them, and hope the negotiations will within a reasonable time materialize. But we cannot force that sale, and, in my judgment, a given date being fixed would delay the sale until the approach of the date and entail additional loss upon the owners and the New Haven Railroad is to that extent hampered in the conduct of this important work.

"'Section 4 refers to the Millbrook Company. The Millbrook Company owns a large amount of real estate in Westchester County, New York. It is assessed at $1,917,797, and in 1915 its appraised valuation was $3,117,333, and the book value $3,765,885.

"'The Company expects, as is often the case with real estate sales, when land has been bought under great excitement for corporate purposes, to meet some loss when it sells them, but that property, adjacent to New York, is one that has not yet approached its development in any way, and is in a region to which the growth of New York will bring, we believe, a very marked development in the next five or six years. Long Island, nearby, is pretty well filled up. Along the Hudson is pretty well filled up. When the transit facilities of New York are co-ordinated with those of the Westchester, you can get into a very beautiful country within 35 or 40 minutes from Broadway, and at very low rates. We believe that fact will very materially appreciate this real estate, and we do not believe that we should be hampered in making disposition of our property by requiring that it should be sold within a certain period. There is plenty of other property in the vicinity for sale, and nobody would buy ours if they knew we had to sell, but would wait until the time was about to lapse. There are 279 rentable units, and only 41 vacancies, in the last report that I had.'

"We have no objection, particularly, to limiting the activities of the Millbrook Company, to the reasonable duties of such corporations in handling their real estate and selling it. The Subway and Westchester Construction Company mentioned in Section 4 has already been dissolved and gone out of existence.

"With respect to the Park Square property, I think Mr. Philip Dexter, unsolicited by us, covered the situation much better than I could. We are in negotiation today with quite important parties for the sale of a piece of that property. I have talked with some of the gentlemen who are considering it, and I can say that if the Massachusetts Legislature passes an act ordering the New Haven to sell this property within a given period of time, the negotiation will at once stop.

"The general real estate of the Company, scattered along its lines, we shall be very glad to sell as fast as we can, and as I pointed out to you earlier, we have already sold $846,000 of it. In our judgment the making of an order to sell the remainder would not assist or expedite the sale. Later on some of the lawyers will discuss that question a little more fully than I can.

"The Commission themselves, on page 69, say:

"'Much of the land is for sale, but the Company does not find it an easy matter to dispose of it. Many of the parcels, it seems, are irregular in shape and were acquired in connection with the laying out of new lines or terminals.'

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"On page 91, the Commission themselves say:

> " 'Owing to the business depression which has prevailed until recent months, normal market prices have probably not yet been reached, and in the case of the securities to be sold, the fact that the sales are enforced will tend to depress prices and thus to swell the losses.'

"You can say the same about the real estate to be sold. The fact that sales are to be forced will tend to depress prices of real estate, and thus to swell the losses.

"Section 7 refers to the New England Navigation Company. In presenting our case to the Commission and in the desire to simplify the accounts of the Company, we recommended that Massachusetts relieve whatever technical burden there was which would prevent the New Haven Company from taking over the beneficial interests in any of the trolley properties. The Navigation Company held $13,709,000 of the New England Investment and Security Company, 4 per cent. gold notes. Those are the notes of the trolley properties in Massachusetts. There is some technical question involved as to whether the New Haven Company could take those securities and hold them under the Massachusetts law. Also whether it could take the beneficial interest in the Connecticut Company's $40,000,000 of stock, which belongs to the New England Navigation Company.

"We would like to have the New England Navigation Company disappear off the books, and have the assets and liabilities of that Company carried on the New Haven books. We think it is in direct conformity with the views of the Commission in simplifying the accounts in trying to follow out the policy of the corporation, to reduce the number of its corporations. We feel, however, that it is of doubtful wisdom to say that as a price for doing this or that certain changes in the account must be made which may or may not be correct. That is something which must be left to the Directors and the Interstate Commerce Commission, and to the general laws of the land, and I will discuss that a little more in detail later on.

"The Public Service Commission proposes that we shall write down the value of the New England Steamship Company, $3,150,000, and write down the Hartford and New York Transportation Company, $875,735.20.

"In discussing that paragraph, Section 7, I want to call your attention to one feature about it. It says:

> " 'So long as the New Haven Company shall continue to hold, directly or indirectly, a controlling interest in the stock of the New England Steamship Company, and in the stock of the Hartford and New York Transportation Company, it shall not permit either of said companies to exercise any corporate powers and franchises except such as are reasonably required for the management, operation, maintenance or improvement of the steamship and barge lines and lighters which they own and operate at the date when this act takes effect.'

"The language seems to imply that there will be no possibility, if the Interstate Commerce Commission conceives it to be for the interest of New England that the New Haven shall go on and operate those properties—the language of the Massachusetts law would seem to preclude all chance of extending the activities of those steamship companies for the purpose for which they are operated, namely, to run more boats, more

lighters, to run coal barges from Newport News to Boston to bring coal here—and I may say that if we had two steam colliers to run between Newport News and Boston today it would mean hundreds of thousands of dollars for the New Haven Road and for New England at the same time; and this language, we think, ought not to be left in this bill.

"We feel that the whole steamship situation can be safely left to the Interstate Commerce Commission, and that Massachusetts should not make any of these good things which they recommend to be done contingent upon something else to be determined by the Interstate Commerce Commission.

"In the same paragraph mention is made of the stock of the Providence Securities Company. We have no unwillingness to limit the Providence Securities Company in any way. In fact, we hope to have it disappear as one of our companies in due time and have its obligations assumed by the New Haven Company.

"Another thing: In that steamship clause it is required that we dispose of real estate within a given period. We own a wharf in Fall River which we would be very glad to sell. We have been trying to sell it for some time, and have not had a buyer at any price, and it would seem unwise to make our failure to sell that property a basis for the failure of our whole plan as it is proposed, by requiring the Attorney-General to secure the forfeiture of our charter if we fail to take action.

"Section 8 recites that:

> " 'The New Haven Company shall surrender for cancellation the bonds of the New York, Westchester and Boston Railway Company which it holds, amounting at par to two million one hundred and ninety thousand dollars."

and carry them into a special account of which I shall speak later.

"Section 9 speaks of the Roxbury Central Wharf and the South Bay Wharf and Terminal Company. We have no particular objection to letting those companies be annulled. The property ought to go into the New Haven Terminal Yards, and what is not used there we ought to sell if we can get a buyer.

"Section 10 takes up a very important subject—a special suspense or amortization account in regard to various losses that the Company may sustain now or in the future. Every large business enterprise, whether it is a railroad or not, in its multitudinous transactions, is always going to make some losses and always to make some gains. It does not seem to the Directors or the managers of the New Haven Company that the doing of any of these things which are wise to be done should be made contingent upon some special entry in its books, about losses, until they know absolutely what those losses are to be.

"The judgment of the Public Service Commission that we should write off a certain given sum in the Westchester, might be different a year from now. We might be obliged to write off more then, or less. The same thing might be said of all of the small companies, or any other piece of property that you take up. The Directors have felt in trying to sustain the property of the Company, that as far as they should go is what they said in their annual report a year ago, on pages 23 and 24:

> " 'Charges and credits to Profit and Loss have been made during the year as shown on page 32. For causes that need not here be enumerated there have been decreases in the present value of some of the properties, and some actual losses have been entered on the books.
>
> " 'Unless industrial and general conditions change so as to restore the value of earning power of all transportation agencies the Company will without doubt suffer considerable losses from the sale of those properties which the United States District Court has ordered sold. Whether these losses will be so great as to impair the capital stock of the Company cannot be determined until sales of the various pieces of property have been made and until the valuation now being made by the Interstate Commerce Commission is completed. The Directors, therefore, have thought it was not wise to

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"I presented to the stockholders of the Company in April, 1915, in an address I made at Norwich, a discussion of the Profit and Loss Account, because I thought they should be made to know the situation, and I want to comment on the general subject of Profit and Loss, by reading one or two paragraphs from that address. The Federal Government, for reasons which we need not discuss here, thought the dissolution should take effect, and we are under bond to sell a large amount of property. The Massachusetts Public Service Commission believes it will help the situation if we are under orders to sell more. It may be so. But Mr. Prouty, who, I think could not be called at the time he made his investigation of the New York, New Haven & Hartford Railroad so very friendly to the situation, said of all the outside properties:

> " 'They are, for the most part of substantial value, and in many instances are a kind of property, the value of which should improve. The financial condition of the Company calls for careful consideration and prudent action, but gives no occasion for hysteria.'

"The Directors have felt that there is a great deal of truth in what Mr. Prouty said—that a great many of these properties have a genuine value when all this fuss and feathers have gone by, and are in duty bound to try to get that value for the Company or for the stockholders.

"And, again, some of these questions are settled by the Supreme Court of the United States, and cannot be settled by the Massachusetss Public Service Commission or by the Connecticut Public Utilties Commission, or by any other Public Service Commission. There have been some cases where certain propositions were laid down, and before this valuation question is worked out, no doubt there will be other cases coming up which will lay down general principles on which railroads shall keep their books, and this perhaps cannot be settled and should not be made a condition, in my judgment, in a Massachusetts bill, as to what an Interstate Railroad shall do, until those questions are settled by the Federal power in the Supreme Court. Among other things the Supreme Court of the United States has said:

> " 'The equal protection of the laws—the spirit of common justice—forbids that one class should, by law, be compelled to suffer loss that others may make gain. If the State were to seek to acquire title to these roads under its power of eminent domain, is there any doubt that constitutional provisions would require the payment to the corporation of just compensation, that compensation being the value of the property as it stood in the markets of the world and not as prescribed by the Legislature? Is it any less a departure from the obligations of justice to seek to take, not the title, but the use for the public benefit at less than its market value?

"There is the law of the land, through the Supreme Court. The Directors of this Company, in doing their duty to the stockholders and to the public they represent are bound to take cognizance of that law, are bound to consider that much of their

property has increased in value, and if they are obliged to write down the value, they must retain the power to advance the values so far as the facts will permit until the law takes it away from them.

"The Massachusetts Commission are quite liberal in their suggestion that we set up a special account to which these matters shall be charged, and until that account is disposed of no dividends shall be paid exceeding 5 per cent. That is a very liberal construction, but unfortunately, the Directors could not carry out that suggestion, either under the Interstate Commerce Commission's provisions, or under the law of Connecticut, which is equally important for the protection of the stockholders and the Company, as is the law of Massachusetts.

"Under the Connecticut statutes no dividend is to be declared while the capital is impaired, and the Directors voting a dividend, yet knowing or having the means of knowing that the capital is impaired, are jointly and severally liable for all losses caused thereby, and are subject to $500 fine.

"When the Directors believe the Company is able to pay a dividend they can declare it, and in the absence of bad faith and negligence they will not be liable, though it should turn out that their judgment was erroneous, and the property was not equal to the liabilities. If, however, the Company consents to setting up a profit and loss deficit of perhaps $30,000,000 or $40,000,000 the Directors could not be expected to declare a dividend until it was made up. They might firmly believe the Company solvent, but with their own books showing the contrary, the risk of the huge personal liability, as well as of the penalty, would be too great. They would have to undertake proof that their books were wrong, and this to the satisfaction of some tribunal that might not be fully competent to decide such a complex question with a certainty of getting it right. Moreover, under these circumstances it would be much easier for one who was disposed to injure the road—and there are such—to prevent, or for a long time to delay dividends by injunction proceedings.

"Furthermore, if such profit and loss deficit were set up, there appears to be no way under existing legislation by which dividends can be paid on any preferred stock to be issued. The Massachusetts preferred stock act of 1915 was designated to permit partial financing by this means, which is believed by many to be for the best interest of stockholders and the public. And we succeeded in getting appropriate legislation in Connecticut and Rhode Island, so that if two-thirds of the stockholders want to put money into the property on a preferred stock basis, they could lawfully do so; but, obviously, they would not do it if no dividends were to be paid.

"This act now proposed does not prevent dividends on the preferred, but the Connecticut act above mentioned applies to both classes alike. Common and preferred dividends are prohibited if the capital is impaired. This is clear from the decisions already made by the courts.

"If we should accept the amortization section as proposed in this bill, we would be doing something which is probably contrary to the view of the Interstate Commerce Commission who have the supreme power of saying how the accounts shall be kept, and we would probably annul the right obtained last year of using preferred stock as one basis of trying to cure our financial difficulties. I do not think for a moment that the Commission thought the proposal would have that effect, because I understood a year ago that they were in sympathy with the idea that the Company ought to have the right to issue preferred stock as well as bonds. And we, of the management, claim that in the exercise of a wise business discretion, the Directors should content themselves at the present time with making known to the public and to the stockholders that there may be losses, and we should not attempt to set up just what those losses may be. Or, if we do, we should have the right to set up certain increases in values, of which we are well advised, and which we could well prove, regardless of what the Supreme Court should decide in regard to the question of value.

"For instance, the Central New England, which stands on the Company's books at $1,900,000, is understood to the extent of $4,000,000. We have a moral right, if not a legal right, to at once mark up the value of the Central New England asset

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"For instance, the Central New England, which stands on the Company's books at $1,900,000, is understood to the extent of $4,000,000. We have a moral right, if not a legal right, to at once mark up the value of the Central New England securities to something like what they are worth in the markets of the world. In a term of years the Company has spent about $30,000,000 for capital account and charged it to operating expenses. The property is there; the money was spent, but it cannot now be carried into the capital account because of the rules of the Interstate Commerce Commission, which prevent the Company from going back to take up that slack. So we have to take into account the common law, the Connecticut law, the United States law, and use all methods of financing, including preferred stock, if the stockholders decide to try to do that—to use all methods of financing in this institution.

"Therefore you ought not to take from the directors discretionary powers—if you have any confidence in them at all, and you ought not to make this proposed legislation dependent upon doing the whole thing, because, as I pointed out, those Directors are morally and legally, and in every way, charged with the greatest responsibility in handling this property, and have as great an interest and as great a responsibility as a Railroad Commission in any one of these States.

"There are two sides to this question. There is also the matter of good faith. We showed our good faith when we went to Connecticut and got that State to change their laws to meet those of Massachusetts, and it was part of our plan to get that legislation through, to get authority to use preferred stock if the stockholders desired.

"Now, if you pass this you vitiate the whole thing and practically annul the implied contract of a year ago.

"Section 11 I will ask our counsel to discuss in more detail, as they can do it much better than I, and the same is true about Section 12.

"It might be pointed out that counsel think that Section 12 as drawn may have the effect of making it very much more difficult to take care of betterments and additions, on such properties as the Old Colony and the Boston & Providence, something that we ought to be very careful about tampering with, because those properties are very much in need of betterments and additions if any money is obtainable for those purposes.

"The second bill, the so-called "Penalty Bill," I shall also ask the lawyers to discuss, and give the views of the Company. It might be said in passing that the duties of railroad directors and the responsibilities that a railroad director carries today are such that men are not seeking those positions. If you impose more burdens on directors as proposed here, you are very likely to create a condition where many worthy men who want to serve their community by acting as advisors to a railroad will decline to take the risk, and the management of the corporation will drift necessarily into the dummy director class, which will be very unfortunate, I think.

"The last bill is about the Berkshire Trolleys, and we have felt that we should not, even if we had the right, go on with any further investment in trolley properties in the western part of the State, and the Company and its management have no objection to that bill.

"I understand that the people in Berkshire County want additional facilities, and also want the Company to operate the so-called Lee-Huntington line. We are doing this in a small way, but it is being operated at quite a severe loss.

"That covers, gentlemen, a brief discussion of some of the

points I desired to make,—of what the management has been trying to do in the last two or three years, in the hope that it will show you we are earnestly trying to do our duty as we see it, and at the same time to keep the property in proper condition.

"Mr. Macleod spoke about the necessity of considering the interest of the public at large, that we ought to approach the matter in a forward-looking way.

"We agree with that, and with the Commission. Mr. Eastman said, I think, that we did not have the courage to face a loss on our investments. We have that courage, but we want to face the loss in a reasonable way and keep the loss down to a reasonable minimum, so that the receipts from some of these properties may be used to the best advantage of the properties as a whole.

"Mr. Eastman, among other things, also said:

> "'If the New Haven refuses a reasonable and peaceful settlement, the Commonwealth may well revoke its charter. The New Haven spent its money like a drunken sailor. The Commonwealth has a strong case against the New Haven. Its laws and its public policy were disregarded by the Railroad again and again.'

"We, on our side, feel that this is not a question of controversy between us and the Commission, or between us and the Commonwealth of Massachusetts. We are not trying to make a "case," but we want to go along in a co-operative way and work this thing out. We want to do our duty as managers, and have the State do its duty as regulators. As managers, we have to meet the notes of the Company, to provide for pay-rolls, to run the trains, and I cannot believe that Mr. Eastman really meant that the Commonwealth of Massachusetts should invoke its power to throw this Company into the hands of receivers if we should fail to work out a solution of the problem.

"We have felt, and I believe justly so, that it was the soundest policy for the Company to avoid a receivership, and we tried also to avoid a receivership for the Boston & Maine. Suppose we had tried to sell the Boston & Maine a year ago. Its value today is a great deal more than it was then. Time changes many of these things, and public opinion changes many things. What might have been the policy of Massachusetts two years ago might not be the policy now.

"When we had the Sound Line case before the Interstate Commerce Commission we were astonished to find that there was a genuine outpouring of business men from Rhode Island, Massachusetts and Connecticut, protesting against further dislocation of the New Haven system. These business men have had enough of it.

"As to Federal incorporation, we agree that it would be wise if we could have it, but it is beyond our reach at the present time."

The CHAIRMAN. You need not discuss that matter, because it is beyond our jurisdiction.

Mr. ELLIOTT. "Exactly. We want to terminate this situation, and to do it in such a way as not to hurt our credit or our ability to furnish the transportation needs. You can take any one of the great transportation systems of the United States, and you will see what I mean. I was in Philadelphia recently and spent some time with Mr. Rea who stands very high as a railroad corporation manager, and he told me of the great difficulty they have had in merging their corporations. They have hundreds of them and they are merging them as fast as they can. You can go into any great corporation and find properties that have depreciated. You must take the whole picture, you must trust somebody, and if you have confidence in them you must give them reasonable discretion. And just think what we must have, if we are to get our affairs into shape.

"We have had two recent experiences of heart-breaking occurrences which have taken place in spite of all that the managers have done. To equip the system with all steel cars for the main line only, of the New Haven road, would cost $9,000,000. For the whole system, if we equipped it with steel cars, it would cost $23,000,000. If the Boston & Maine is equipped with steel cars, it would cost from $25,000,000 to $28,000,000.

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"Those problems cannot be settled at once, the difficulty cannot be cured immediately, but the New Haven must continue to operate its road and your committee must give such assistance as it can.

"In the early days when a new country wanted a railroad, what did the authorities do? They gave bonuses, land grants, subsidies, and everything to get roads to come in. Here is an older country that has got its railroads. They are not adequate to do the work and it ought to be the duty of the States to aid in accomplishing better results. And I do not know of any greater duty the governors of the New England States can perform than to get together and discuss this subject of transportation and ascertain how they can put the railroads in shape to serve best the future needs of New England. The railroad business cannot go on and grow unless many millions of dollars are put into the properties. So, it is a question of helping. And, gentlemen, unless you think I am wholly insincere, don't tie up this bill in such a way that the good things, the things which ought to be done, are contingent upon doing things about which there is certainly a great deal of doubt. Put in the wise provisions, if you pass a bill, but don't put in these riders about doubtful things.

"You still have the full power over the road. If I should leave the Company and you did not think my successor suitable to manage the property you have, as is pointed out on page 82, full power to act. You do not lose your control. We are servants of Massachusetts. The legislatures are our masters; and they are also masters of the commissions.

"We want to work with the commissions and we believe we can sit down with them and with you and draw bills that will clear away the uncertainty and get this whole railroad question so adjusted that we can go ahead and build up the roads, run trains and give service to the public.

"I have talked longer perhaps than I should have, but it is a very great subject and one which it is my duty to do all I can to correct, and cure and I sometimes think that two stories which I will tell you cover the situation better than the longer dissertation which I have given.

"One is about an old lady down in the State of Maine who got on to the little local train to go to a small station. A new conductor was running the branch line train. He did not know the old lady nor where she was going, and the station she was going to had the nickname of "Scratch." The little local train ran by the station. The old lady jumped up in great excitement and screamed, and the conductor came back to know what was the cause of her trouble.

"'Where are you going?' he asked. 'I am going to Scratch,' she answered. And he replied. 'Just because you are going to scratch you don't want to stop the whole machine, do you' ! !

"She flounced down into her seat. She had an upper and lower set of false teeth, and in her first frenzy got them jumbled up, and when she sat down, she jumped up with another scream. The conductor said: 'You need not be disturbed Madam, there is another station right here, from which you can take a train back. What is the matter now?' 'Oh,' she replied, 'I bit myself.'

"Now, just because we have got worked up about this situation, we don't want to stop the whole machine, because we want to scratch, and we don't want to bite ourselves in trying to get at the cure.

"The other is this: The Commission say that the New Haven road has not behaved right in the past. We admit it,

Therefore, they say, we must provide for all contingencies in the future, and prevent them from doing further wrong. And that reminds me of this story:

"A New England old maid of about 65 years sat on the front porch of her home in a little country town, weeping bitterly. Her friends came to her and tried to console her. 'Aunt Mary, what is the matter?' they asked. 'I am in terrible trouble and I don't know what to do,' she replied.

" 'Tell us about it,' they said. 'You have lots of friends and a house and a garden and money to live on; why should you be troubled?'

' 'I have been thinking,' she answered. 'If I should get married, and if I should have a little baby, and that little baby should die, what a terrible thing that would be' ! !

"We are imagining all sorts of things, conjecturing the terrible things which might happen, and trying to safeguard against them all, instead of having a little confidence in the people who are trying to pull us out.

"So, I urge upon you to try to aid the Company in curing this situation. There are forces at work that we cannot control, —labor forces, material forces, and congestion; but we are going to try, and if we fail it will not be for lack of effort on our part.

"Some of the legal features of this matter will be presented to you by the lawyers for the Company, on Tuesday morning, or at whatever time the Committee may sit again."

REMARKS OF MAJOR HENRY L. HIGGINSON.

Mr. Chairman and Gentlemen:

I come here as a citizen of Massachusetts, who does not own any New Haven, and would not buy on any account.

I am one of those State Street men who are supposed to be wicked. I hold no brief for anybody except the State of Massachusetts. Down in the street we don't try to do anything about this road except to help it in its financing, and for those services we have carried on two or three years, we have been paid almost nothing. I am not sure that we have not made a loss on the whole thing.

I do know that we don't want to be bothered with it, because there is plenty of good business in the United States, thank God, and that has been very bad business.

Two or three years ago this road got into trouble, partly because of high wages, partly because of the high price of material, partly because of bad management, extravagant management no doubt, partly because of very vicious attacks on its credit; and its credit from having been the best, became the worst here.

There was an excellent plan to finance the road soon after Mr. Elliott came but it was thrown down, most unwisely as we thought. The road was a very sick child, and we sent for the best doctor we could get, and I plead guilty to urging Mr. Elliott, whom I have known since he was a child, to come to the company. He had been very well brought up by very able railroad men. He had had much experience and great success. He was highly prized. He turned down other very good opportunities, and he came to the New Haven. And two or three of us urged him to come and I was one of them, and I am very sorry for it. I have had to apologize to him two or three times for pulling him out of a pleasant task into a very disagreeable one.

When the child is sick the best thing you can do is to get as good a doctor as you can; and we have got him. I don't believe in the United States,—in fact I know,—there is a man of higher character than Mr. Elliott. He has had great experience, he has great knowledge, and he has great skill. I said to our business men here, "I don't know about railroad men but I do know about Howard Elliott, and he will justify our choice." And he has done it.

Perhaps he has saved us from a worse calamity than we have. Are you going to call in another doctor? Do you want an apothecary to come in here and treat the child? Do you want a nurse to come in here to advise you? Or do you trust the life of the child to the able doctor whom you have employed? I think we ought to trust this doctor for the benefit of Massachusetts

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He has got some new directors to go into the corporation. I told one of them this morning that he was a jackass to go in there at all, because he was liable for everything under the sun. There is nothing pleasant about the duty, but if anything goes wrong he gets a good spanking. It nearly killed some of the older men. Perhaps they deserve it: I don't know.

Everybody has made mistakes. I have committed a reasonable number of sins and perhaps some of you gentlemen belong in that class also. At any rate, here is the sick child. We have got a very good doctor, and we better trust him all the way through.

About real estate, it is our business to buy and sell, and we try to do the best we can for our customers. If I know, Mr. Chairman, that your house is for sale and you are obliged to sell, and it is worth $15,000, I will tell my customer to wait until the time is up, and then I will buy it for $5,000. If it is known that these pieces of property must be sold before a certain time, you are stealing the money of the sufferers. They have a right to a fair price for that property, and if it is known that it must be sold, you are stealing the money of the sufferers.

Everybody knows that we will wait for the forced sale, thinking we will get a twist on somebody, and get something out of it. It is a great mistake to say to a man, "If you go in there as a director, you may have to go to jail or pay a fine." Last year when Secretary McAdoo was here we asked about the laws on interlocking directorates, the silliest thing ever done in the world. I said to him at the Chamber of Commerce, "I trade with my bankers at times, and so do they." I said, "If I trade there I may have to go to jail." He said, "I will be very glad to save you from going to jail," which is very kind of him. I said, "You don't want that relation. You ought to trust men or throw them out." There are plenty of men who have had more experience than I, but I am sure of this, if you have anything to manage, and I have had various things in my times, put in a good man there and trust him. Be sure you get a good man, and if you don't trust him, tell him to go out of the door. If you don't trust these men, and I speak of Mr. Elliott and of his officers and his directors, for they are an admirable set of men,—either you can trust them and help the State of Massachusetts in the matter of transportation, which particularly interests me because we go to New York every week, and we don't like to be killed on the way—I have seen one accident there under Mr. Mellen and a more terrible sight we don't desire. It is that which interests me and the stockholders, of whom I repeat I represent none, but I want those people treated kindly. It is very easy to drive capital out of Massachusetts and any such proceeding as is proposed here with all the objectionable points in this bill, if carried out, would drive capital out of Massachusetts. Don't do it. When anyone comes to us to invest money we ask them what they want? And my advice to them is to buy what you like but look at it carefully. And so here, look at this carefully before you do it. I could not say a good word for the New Haven road or the Boston & Maine if the big stick is up there. The other course is for the state to buy the railroads we have here, and if that is done, God help the railroads and the people who ride on them, because the state is no more fit to run them than to carry on a war in this country. There is only one thing to do: If Mr. Elliott and the directors will stay there until we let them go, it would be worth while. If you don't want to trust those gentlemen, let them go now, and I can find Mr. Elliott and the other gentlemen a better chance than they have here. Trust them, or throw them out.

END OF
TITLE